

Message Text

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ORIGIN EB-08

INFO OCT-01 AF-10 ARA-14 EA-12 EUR-12 NEA-11 ISO-00
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H-02 INR-10 INT-05 L-03 LAB-04 NSAE-00 NSC-05
PA-02 CTME-00 AID-05 SS-15 STR-07 ITC-01 TRSE-00
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TAGS:ETRD, US

SUBJECT: TRIGGER PRICE MECHANISM -- HEARINGS ON FREIGHT
COMPONENT OF GREAT LAKES TRIGGER PRICES

REF: STATE 133840 (NOTAL)

1. AS IT ANNOUNCED MAY 25 (REFTEL), TREASURY DEPARTMENT
HELD A PUBLIC HEARING JUNE 12 TO CONSIDER A) ALLEGATIONS
THAT A SECONDARY EFFECT OF THE TRIGGER PRICE MECHANISM HAS
BEEN TO DIVERT STEEL IMPORTS FROM THE GREAT LAKES TO EAST,
WEST AND GULF COAST PORTS, AND B) A TREASURY PROPOSAL TO
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ADJUST DOWNWARD AS OF JULY 1 THE GREAT LAKES FREIGHT RATES
USED TO CALCULATE TRIGGER PRICES FOR STEEL PLATE AND HOT
AND COLD ROLLED SHEETS. MORE THAN A DOZEN WITNESSES
DIVIDED ALONG PREDICTABLE LINES, WITH REPRESENTATIVES OF
DOMESTIC STEEL PRODUCERS OPPOSING TREASURY PROPOSAL TO
ADJUST THESE FREIGHT RATES AND REPRESENTATIVES OF SHIPPING
AND IMPORTING INTERESTS SUPPORTING THE REDUCTION.

2. WITNESSES FROM NATIONAL, REPUBLIC, INLAND, YOUNGSTOWN AND MCLOUTH STEEL COMPANIES ARGUED THAT THE TPM HAD YET TO PROVE ITS EFFECTIVENESS AND SHOULD NOT BE MODIFIED PREMATURELY. CITING A 44 PERCENT INCREASE IN FOREIGN STEEL SHIPMENTS TO THE GREAT LAKES THUS FAR THIS YEAR OVER THE

SAME PERIOD OF 1977, A NATIONAL STEEL REPRESENTATIVE ARGUED THAT THERE HAS BEEN NO DIVERSION OF STEEL IMPORTS AWAY FROM THE GREAT LAKES. (COMMENT. IN THE FIRST FOUR MONTHS OF 1978 TOTAL U.S. STEEL IMPORTS ROSE BY 79.4 PERCENT BY VOLUME OVER THE SAME PERIOD A YEAR EARLIER. GULF COAST-MEXICAN BORDER IMPORTS ROSE BY 103 PERCENT, PACIFIC COAST IMPORTS BY 81 PERCENT AND ATLANTIC COAST IMPORTS BY 81 PERCENT. END COMMENT.) STEEL COMPANY WITNESSES ALSO CONTENDED THAT OUTBOUND GRAIN SHIPMENTS FROM GREAT LAKES PORTS HAVE NOT BEEN AFFECTED BY AN ALLEGED SHORTAGE OF SHIPS. THEY ARGUED THAT THE FREIGHT RATES INITIALLY USED BY TREASURY IN CALCULATING GREAT LAKES TRIGGER PRICES REFLECT ACTUAL RATES AND OUGHT TO BE HIGHER THAN EAST COAST FREIGHT RATES IN VIEW OF GREATER DISTANCES AND ST. LAWRENCE SEAWAY TOLLS. SEVERAL WITNESSES CALLED ON TREASURY TO CLOSE WHAT THEY ALLEGE IS A SERIOUS LOOPHOLE IN TPM WHEREBY EXPORTERS SHIP STEEL TO MIDWEST VIA NEW ORLEANS, MEET THE LOWER GULF COAST TRIGGER PRICE AND THEN ABSORB THE INLAND FREIGHT.

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3. WITNESSES FROM ST. LAWRENCE SEAWAY DEVELOPMENT CORPORATION, PORTS, LONGSHOREMEN'S UNION, STEEL IMPORTERS AND FABRICATORS CONTESTED EACH OF STEEL PRODUCERS' ARGUMENTS. THEY GENERALLY HELD THAT GREAT LAKES TRIGGER PRICES ARE TOO HIGH AND ARE CAUSING SIGNIFICANT DIVERSION OF STEEL IMPORTS AWAY FROM GREAT LAKES PORTS. AS A RESULT, THEY INSIST, THERE IS A GROWING SHORTAGE OF SHIPS IN GREAT LAKES TO BACKHAUL GRAIN BOUND FOR EXPORT. THESE WITNESSES ARGUED THAT THE FREIGHT COMPONENT IS TOO HIGH BECAUSE IT IS, APPARENTLY, BASED ON THE CONFERENCE RATES FOR JAPAN-GREAT LAKES SHIPMENTS, WHEREAS IN FACT VIRTUALLY ALL SUCH TRAFFIC CONSISTS OF LOWER-COST CHARTERS. THEY URGED THAT TREASURY REDUCE THE TRIGGER PRICES TO REFLECT THE ACTUAL, CHARTER RATES AND TO RESTORE INTERREGIONAL COASTAL COMPETITIVENESS.

4. POSTS WILL BE ADVISED OF TREASURY DECISION ON THIS QUESTION. CHRISTOPHER

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